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Market Court of Finland rules on reasonable compensation in a trade mark infringement case concerning cheaper foreign alcohol and a national retailing monopoly

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Trade marks

■ Market Court of Finland rules on reasonable compensation in a trade mark infringement case concerning cheaper foreign alcohol and a national retailing monopoly

Alko Oy v Aldar Latvia SIA, MAO:48/21, 9 February 2021

The Market Court of Finland recently determined trade mark damages in the light of complex circumstances.

Legal context

Under section 6(1)(5) of the Finnish Trademarks Act (26.4.2019/544), the proprietor of a trade mark shall be entitled to prevent any unlicensed third party from using in the course of trade, on business papers and in advertising, any sign which causes likelihood of confusion or which—without due cause—takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark. This provision follows Article 10(3)(e) of the Trade Mark Harmonization Directive 2015/2436.

Relevant to this case is also the fact that the Finnish Trademarks Act provides protection for ancillary signs contained in trade names provided that those signs are established by use (see in detail interlocutory judgment *Alko Oy v Aldar Latvia SIA*, MAO:88/20, 6 March 2020).

Further, under section 69(1) of the Finnish Trademarks Act, any person who deliberately or due to negligence infringes the right to a trade symbol shall be obliged to pay the aggrieved party reasonable compensation for the use of the symbol and compensation for additional damages. If the negligence has only been slight, the compensation for the damage may be adjusted. Under section 69(2) of the Act, even if no negligence is found, the infringer is still obliged to pay reasonable compensation for the use of the sign. This section 69 of the Finnish Trademarks Act implements Article 13 of the Enforcement Directive 2004/48.

Finally, under Chapter 17 section 2(3) of the Finnish Code of Judicial Procedure, if credible evidence is not available regarding the amount of a claim under private law or such evidence is obtainable only with difficulty or, in view of the nature of the case, with unreasonable cost or difficulty, the court shall assess the amount.

Facts

Established in 1932, Alko Oy (Alko) is a state-owned enterprise and has the sole right in Finland to engage in the retail sale of beverages containing more than 5.5 per cent alcohol by volume, with the exception of microbrewery beers and Finnish farm wines. It is also the proprietor of two well-known national trade marks: a word mark ALKO

and a figurative mark containing the word ALKO. These marks cover, inter alia, beers and spirits, and wholesale and retail services in classes 32, 33 and 35.

Aldar Latvia SIA (ALS) is a Latvian company operating in the retail and wholesale sale of alcohol. It is known for running its business under the name SUPER ALKO. From November 2016 and until 2020, ALS had used SUPER ALKO signs in print advertisements distributed in Finland in the ports of passenger traffic to the Baltics, and on its website, which was also available in Finnish. ALS's SUPER ALKO stores had become popular among Finns and many have travelled to Latvia to buy (cheaper) alcohol.

The parent company of ALS, Estonian Osahing Aldar Eesti (OAL), had previously carried out similar activities. In 2016, OAL was found guilty by the Helsinki Court of Appeal of infringing Alko's trade marks. Unsurprisingly, Alko also initiated legal proceedings against ALS.

In its interlocutory judgment (*Alko Oy v Aldar Latvia SIA*, MAO:88/20, 6 March 2020), the Market Court of Finland found ALS liable of infringement. First, a likelihood of confusion existed between ALS's SUPER ALKO signs and Alko's trade marks and its ancillary sign Alko in the trade name Alko Oy. Secondly, SUPER ALKO signs had taken unfair advantage of the distinctive character and the repute of the Alko trade marks.

In the judgment in MAO:48/21, which is the subject of this note, the Market Court was to rule on the amount of damages to be paid. Alko had initially submitted that its claims for reasonable compensation and compensation for additional damages totalled at least EUR 10 000. Following the interlocutory judgment, Alko amended the claim and demanded reasonable compensation of EUR 445 883.50. It also waived its claim for additional damages. According to ALS, the claim for reasonable compensation was incorrect and unreasonable.

Analysis

Principle of full compensation

The Finnish intellectual property legislation is based on the principle of full compensation of the actual damages related to an infringement. The compensation for the infringement of intellectual property rights includes reasonable compensation for the use of the right as minimum compensation and compensation for additional damages, ie lost profits, market disturbance and moral prejudice.

Unlike the additional damages, the obligation to pay reasonable compensation does not require an infringer's negligence. In addition, in the case of negligent infringement, the right holder may be awarded reasonable compensation as well as additional damages at the same time. In other words, the right holder may acquire the full compensation only by demanding both the reasonable compensation and the additional damages.

In this case, ALS was found negligent, so Alko could have claimed for damages according to both forms of compensation. However, they decided not to request additional damages. Consequently, the damages should not include any compensation items belonging to the additional damages, even if the infringement had actually caused such damages.

Licence analogy

In practice, calculation of reasonable compensation is usually based on the amount of royalties that would have been due if the infringer had requested authorization to use the trade mark in question.

According to Alko, reasonable compensation for the use should be based on a 10 per cent royalty rate of the infringer's estimated turnover gained from the sales in Latvia to Finnish customers. According to Alko, the 10 per cent royalty rate was justified by the following factors: the long duration and extent of the infringement; the fact that the acts infringed two trade marks and an ancillary sign; ALS's operations targeted a wide range of Finns; the repute of Alko's trade marks and ancillary sign; Alko's decision not to grant licences for their trade marks; the circumstance that the infringement was intentional or negligent. The amount should therefore be EUR 445 883.50.

The Market Court rejected this request for the following reasons. First, it is likely that ALS would have sold alcohol in Latvia to Finnish customers at least to some extent, even if ALS had not directed its marketing to Finland and thus infringed Alko's rights in Finland. Accordingly, the compensation as such could not be determined based on the turnover generated by ALS's sales to Finnish consumers. Secondly, even if the compensation were determined based on ALS's turnover from sales to Finnish consumers, Alko's calculations included significant assumptions and uncertainties so that the compensation could not be directly based on these calculations. Thirdly, Alko did not provide any evidence of normal licence fees, insofar as it is possible to determine such a fee at all: as Alko itself stated, it does not grant licences for its trade marks. Regardless, a royalty rate of 10 per cent would be clearly excessive in view of the fact that the infringing signs were used only in the names of shops and in marketing. They were not used on the alcohol products sold.

ALS argued that the amount of compensation should not exceed EUR 10 000, considering what would be the normal licence fee for similar use of signs in print advertising and on the website. The Market Court rejected also this as unfounded.

Overall assessment

Since the licence analogy was not suitable for calculating the compensation, the Market Court found that the reasonable compensation should be assessed according to an overall assessment of the relevant circumstances and the evidence provided by the parties.

The Market Court assessed that the amount of the reasonable compensation for the infringement of the trade marks and the ancillary sign was EUR 80 000.

The court identified several factors that contributed to this amount: the infringed trade marks were well-known; the infringement had continued for 3 years; OAL (the parent company of ALS) had earlier been found liable of infringing the Alko trade marks and ALS must have been aware of this. In contrast, the fact that ALS had infringed two different trade marks and an ancillary sign could not increase the amount of compensation, since all of them consist of the same word 'ALKO'.

Practical significance

This case serves as an example of situation in which the licence analogy cannot be used as an appropriate method for assessing the reasonable compensation. If reasonable compensation under the Finnish Trademarks Act is understood in the light of Enforcement Directive Article 13(1)(b), it is obvious that it could be based on at least the amount of normal licence fees. Thus, the question arises: what are the other elements, in addition to normal licence fees, that should be considered?

In this case, the Market Court made an overall assessment according to the procedural rules. Notably, the monopoly position of the right holder and the right holder's unwillingness to license its rights were not mentioned as factors that contributed to the amount of reasonable compensation.

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